



**Management Discussion and Analysis**  
**For the year ended**  
**May 31, 2018**

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**Kapuskasing Gold Corp.**  
**Management Discussion & Analysis**  
**Year Ended May 31, 2018**

**Overview:**

This Management Discussion and Analysis of the financial condition and results of operations ("MD&A") of Kapuskasing Gold Corp. (the "Company" or "KAP") has been prepared based upon information available to the Company as at September 21, 2018 and should be read in conjunction with the audited financial statements and notes thereto as at and for year ended May 31, 2018 (the "current statements") and the audited financial statements and the notes thereto as at and for the year ended May 31, 2017. All financial data in this MD&A is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("IFRS").

**Caution Regarding Forward-Looking Information:**

Certain information contained in this MD&A may constitute forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic condition and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "feel", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated exploration activities and results and financing activities and other factors on our operating results, and the performance of global capital markets, commodity prices and interest rates.

Forward-looking information involves known and unknown risk, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to exploration results, market fluctuations, commodity price fluctuations and the strength of the Canadian, U.S. and other economies.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

**Nature of the Business:**

Kapuskasing Gold Corp. is a corporation under the laws of British Columbia whose common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "KAP". It is a "reporting" company in the provinces of British Columbia, Alberta and Ontario. KAP is a mineral exploration company that is actively engaged in exploring for precious and base metals in Canada.

**Overall Performance:**

The economic climate for early stage natural resource companies remained soft in 2017 and into 2018, making it difficult for companies to secure the financing required to advance projects through additional exploration work. The Company believes that this market condition will remain in the short-term. As commodity prices begin to move upward, either due to basic supply demand metrics or due to outside economic forces, normalcy will begin to return to the junior markets, allowing for companies to expand on exploration programs.

KAP acquired a portfolio of projects in the province of Newfoundland and Labrador to complement its current projects in Ontario. The new focus has provided the Company and its shareholders exposure to the battery technology metals sector as the properties have the potential to host either cobalt or vanadium as a by-product of the primary metals. The initial focus of exploration will be on the Lady Pond Copper/Cobalt Property.

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**Recent financings:**

On October 30, 2017 the Company closed a non-brokered private placement of 2,220,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$111,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will be exercisable into one common share at \$0.075 for a period of 12 months from the closing of the financing.

On August 1, 2017 the Company closed a non-brokered private placement of 1,300,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$65,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. The Company has also closed a non-brokered private placement of 2,500,000 flow-through units of the Company at a price of \$0.06 per flow-through unit for gross proceeds of \$150,000. Each flow-through unit consists of one common share and one warrant. Each warrant will be exercisable into one non-flow-through common share at \$0.10 for a period of 24 months from the closing of the financing. A cash commission of \$10,500 was paid to an arms' length finder.

On June 12, 2017, the Company closed a non-brokered financing of 2,960,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$148,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each purchase warrant will be exercisable into one common share at \$0.10 for a period of 24 months from the closing of the financing. The Company also closed a non-brokered private placement of up to 886,664 flow-through units of the Company at a price of \$0.06 per unit for gross proceeds of \$53,200. Each flow-through unit consists of one common share and one half share purchase warrant, each whole warrant exercisable at \$0.10 into one common share of the Company for a period of 24 months from the closing of the financing.

On July 11, 2016 the Company closed a non-brokered financing for a total of 1,640,000 non-flow-through units at a price of \$0.05 per unit and 2,743,334 flow-through units at a price of \$0.06 per unit for aggregate gross proceeds of \$246,600. Each unit consisted of one common share (either flow-through or non-flow-through) and one common share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional non-flow-through common share at a price of \$0.10 per share for 18 months after closing.

**Stock options:**

On July 20, 2016 the Company granted options to acquire a total of 1,650,000 common shares of the Company to employees, consultants, officers and directors at an exercise price of \$0.05 per share for a period of 5 years.

On October 12, 2017 the Company granted options to acquire a total of 2,750,000 common shares of the Company to employees, consultants, officers and directors at an exercise price of \$0.05 per share for a period of 5 years.

**Selected Financial Information:**

The following shows the Corporation's operating results for the year ended May 31, 2018 and the two most recently completed fiscal years. The subsequent table represents selected quarterly results for the eight most recently completed quarters.

<b>Results of Operations</b>	<b>May 31, 2018</b>	<b>May 31, 2017</b>	<b>May 31, 2016</b>
Net income (loss)	(823,042)	(672,784)	78,092
Income (loss) per share, basic and diluted	(0.01)	(0.02)	0.00
Total assets	430,350	792,923	558,842
Total liabilities	71,267	108,089	65,566
Shareholders' equity	359,083	684,834	493,276

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**Quarterly results of operations \$ (unaudited)**

	<b>Three Months Ended</b>			
	<b>May 31, 2018</b>	<b>Feb. 28, 2018</b>	<b>Nov. 30, 2017</b>	<b>August 31, 2017</b>
	\$	\$	\$	\$
(Loss) for the period	(607,067)	(55,004)	(106,001)	(54,970)
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.00)	(0.00)
	<b>May 31, 2017</b>	<b>Feb. 28, 2017</b>	<b>Nov. 30, 2016</b>	<b>Aug 31, 2016</b>
	\$	\$	\$	\$
Income (loss) for the period	(92,371)	(450,236)	(28,396)	(101,781)
Basic and diluted income (loss) per share	(0.00)	(0.01)	(0.00)	(0.00)

**Three Months Ended May 31, 2018 and 2017**

The Company had a net loss of \$607,067 or \$0.00 per share for the three months ended May 31, 2018 compared to \$92,371 or \$0.00 per share for the three months ended May 31, 2017. The loss for the three month period ended May 31, 2018 increased as compared to the same period in 2017. The primary reason for the increase is a write off of mineral properties in the amount of \$583,521 in the fourth quarter of the current fiscal year compared to \$10,000 in the prior year.

Variations in the remaining expenditures are as follows:

Consulting fees were \$14,400 for the three months ended May 31, 2018 compared to \$18,550 for the three months ended May 31, 2017. Consulting fees were consistent between the two periods.

Investor relations for the three months ended May 31, 2018 was \$4,053 compared to \$40,165 for the three months ended May 31, 2017. The fees were higher in the same period in 2017 due to greater investor relations costs. These costs are largely based on the timing of financing activities and when additional consultants are required. The Company is continuing its efforts in raising the capital needed to further advance the properties.

Transfer agent and filing fees for the three months ended May 31, 2018 was \$2,877 for stock exchange fees, transfer agent fees and the electronic filing of disclosure documents on SEDAR compared to \$12,707 for the three months ended May 31, 2017. The increase in costs are due timing of various press releases and filings.

**Year Ended May 31, 2018 and 2017**

The Company had a net loss of \$823,042 or \$0.01 per share for the year ended May 31, 2018 compared to a net loss of \$672,784 or \$0.02 per share for the year ended May 31, 2017. The loss for the year ended May 31, 2018 is higher than the prior year, due primarily to the write down of exploration and evaluation assets in 2018 in the amount of \$590,039 compared to \$427,621 in the current year.

Variations in the remaining expenditures are as follow:

Consulting and professional fees were \$50,525 for the year ended May 31, 2018 compared to \$70,975 for the year ended May 31, 2017. Consulting fees are lower than the comparable period because management third party marketing contracts expired and were not renewed at higher levels.

Share-based compensation was \$97,000 during the year ended May 31, 2018 compared to \$80,234 in 2017 as options were granted in both periods. See note 8 of the audited financial statements for the years ended May 31, 2018 and 2017 for details on valuation of stock options granted for the two years.

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Shareholders' information for the year ended May 31, 2018 was \$22,574 for stock exchange fees, transfer agent fees and the electronic filing of disclosure documents on SEDAR compared to \$27,940 for the year ended May 31, 2017. The decrease in costs over the prior year period is due to the cost of filing disclosure documents with regards to the acquisition of the Newfoundland properties in the prior period.

Investor relations for the year ended May 31, 2018 was \$107,239 compared to \$76,489 for the year ended May 31, 2017. The fees are higher than the same period in 2016 due to greater investor relations costs; these costs are largely based on the timing of financing activities and when additional consultants are required. The Company is continuing its efforts in raising the capital needed to further advance the properties.

**Additional Information for Venture Issuer's Without Significant Revenue**

<b>For the year ended May 31,</b>	<b>2018</b>	<b>2017</b>
General and administration:		
Consulting <sup>1</sup>	\$ 50,525	\$ 70,975
Investor relations	107,239	76,489
Office and miscellaneous	10,602	2,897
Professional fees <sup>2</sup>	17,032	9,628
Share-based compensation <sup>3</sup>	97,000	80,234
Transfer agent and filing fees <sup>4</sup>	22,574	27,940
	<b>\$ 304,972</b>	<b>\$ 268,163</b>

**Notes:**

1. Consulting and investor relations expenses decreased by \$20,450 from the comparative year due to reduction in fees being charged by management.
2. Professional fees increased by \$7,404 from the comparative year. Professional fees increased in connection with the additional property agreements and related work.
3. Share-based compensation of \$80,234 was recorded in 2017 compared to \$97,000 in the current year.
4. Transfer agent and filing fees decreased from the comparative year by \$5,366. These expenses fluctuate with the number of financings completed and the number of shares issued and public filings completed.

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**Exploration properties:**

The following table represents the amounts expended acquiring and exploring the Company's mineral properties as at May 31, 2018 and May 31, 2017:

	Acquisition net \$	Exploration \$	Write downs \$	May 31, 2018 \$	May 31, 2017 \$
West Keefer	33,434	124,437	(157,871)	-	-
Rollo	152,460	84,081	(236,541)	-	236,541
Daniel's Harbour	54,000	575	-	54,575	-
Sterling	23,000	67,217	-	90,217	-
Alexis	12,460	-	(12,460)	-	12,460
Hayes	49,840	-	(49,840)	-	49,840
Cape Charles	28,030	-	(28,030)	-	28,030
Indian Head	93,440	-	(93,440)	-	93,440
Iron Mountain	62,300	-	(62,300)	-	62,300
Kings Court	46,720	-	(46,720)	-	46,720
Lady Pond	69,495	152,594	-	222,089	69,495
Ross Lake	18,690	-	(18,690)	-	18,690
Jumbo Copper/ Cobalt	35,500	-	(35,500)	-	35,500
<b>Total</b>	<b>679,369</b>	<b>428,904</b>	<b>(741,392)</b>	<b>366,881</b>	<b>653,016</b>

*Lady Pond, Kings Court, Alexis, Hayes, Cape Charles, Indian Head, Iron Mountain, Ross Lake, Newfoundland and Labrador*

On April 3, 2017, the Company entered into a Mineral Property Acquisition Agreement to acquire a 100% interest in eight separate properties located in the province of Newfoundland and Labrador. As consideration for the properties, the Company was required to issue 7,500,000 common shares (issued at a fair value of \$375,000), and make a cash payment of \$5,000 (paid). The vendors shall retain a 3.0% net smelter return royalty ("NSR") interest, or where applicable, a 3.0% net profit return royalty ("NPR"). The Company retains the option to buy back 2.0% of the NSR (or NPR) for \$1,000,000.

Management exercised judgment in allocating the total consideration of \$380,000 to the eight properties based on the number of claims acquired for each property.

In addition to the claims acquired under the Mineral Property Acquisition Agreement, the Company acquired through staking a 100% interest in 15 claims that form part of the Lady Pond Project.

As at May 31, 2018, the Company did not renew the claims on Kings Court, Alexis, Hayes, Cape Charles, Indian Head, Iron Mountain and Ross Lake, as such, the properties were written off.

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*Jumbo Copper/Cobalt Property, Newfoundland*

On April 19, 2017, the Company entered into a Mineral Property Option Agreement whereby it can purchase a 100% undivided interest in 76 claims comprising the Jumbo Copper/Cobalt Property for total consideration of 650,000 shares (issued at a fair value of \$32,500), and a \$3,000 one-time cash payment (paid).

The vendor shall retain a 2.0% NSR interest, 1.0% of which can be purchased by the Company for \$1,000,000.

As at May 31, 2018, the Company did not renew the claims, as such, the property was written off.

*Daniels Harbour Property, Newfoundland*

On May 10, 2017, the Company signed a non-binding Letter of Intent to purchase a 100% undivided interest in 42 claims comprising the Daniels Harbour Property located on the Great Northern Peninsula of Newfoundland. Under the proposed terms, the Company can acquire the property for staged cash payments totaling \$60,000 (\$10,000 paid), issuing 1,750,000 common shares (1,000,000 shares issued) to the vendor, and carrying out \$100,000 in exploration by the second anniversary of TSX-V acceptance of the agreement.

The vendor shall retain a 3.0% NSR interest, 2.0% of which can be purchased by the Company for \$2,000,000.

On September 10, 2017, the Company entered into an agreement to acquire the Daniels Harbour Property according to the terms of the Letter of Intent.

On September 14, 2017, the Company executed and finalized the formal option agreement to earn a 100% interest in the Daniels Harbour Zinc Property located on the Great Northern Peninsula of Newfoundland, approximately 10 km's north east of the community of Daniels Harbour.

Pursuant to the Agreement, the Company may earn a 100% interest in the Daniels Harbour Property for total consideration of 1,750,000 shares, \$60,000 in cash payments and a work commitment of \$100,000 within the 24 months following TSX-V approval. The Vendor shall retain a 3% net smelter royalty ("NSR") interest. The Company retains the option to buy back 2% of the NSR for \$2,000,000. In the event the Company delineates a 43-101 compliant resource of 5,000,000 tonnes of ore grade zinc (Grade of at least 7% Zn), the vendor will receive a one-time bonus payment equating to CDN\$50,000 payable in cash or shares at the election of the Company on the day of which said report is filed on SEDAR.

On February 8, 2018, the Company executed the asset purchase agreement for a 100% interest in the DH Unity Claims consisting of 30 claims (750 hectares) in the Daniels Harbour area, situated nearby the Company's Daniels Harbour Zinc Property. The Company can purchase a 100% interest in the DH Unity Claims Property for total consideration of 300,000 shares (issued), and a \$1,950 one time cash payment.

*Sterling Property, Newfoundland*

On August 21, 2017, the Company entered into an agreement to acquire a 100% undivided interest in 28 claims comprising the Sterling Property located in Newfoundland. Under the terms of the agreement, the Company can acquire the property for staged cash payments totaling \$25,000 (\$5,000 paid), issuing 1,800,000 common shares (400,000 shares issued) to the vendor, and carrying out \$250,000 in exploration by the fourth anniversary of TSX-V acceptance of the agreement.

The vendor shall retain a 3.0% NSR interest, 2.0% of which can be purchased by the Company for \$2,000,000.

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*West Keefer Property, Ontario*

On April 25, 2016, and amended April 27, 2017 the Company entered into a Mineral Property Option Agreement to acquire a 100% interest in the West Keefer Property from an arm's length vendor for total consideration of \$200,000 and the issuance of a total of 500,000 common shares over a four year period as follows:

1. \$15,000 (paid) and the issuance of 200,000 common shares (issued at a fair value of \$12,000) on TSX Venture Exchange ("TSX-V") acceptance (received April 28, 2016);
2. the issuance of an additional 200,000 common shares on that date which is twelve (12) months from TSX-V acceptance (issued at a fair value of \$10,000);
3. \$50,000 and the issuance of an additional 100,000 common shares on that date which is twenty four (24) months from TSX-V acceptance;
4. \$40,000 on that date which is thirty six (36) months from TSX-V acceptance; and
5. \$95,000 on that date which is forty eight (48) months from TSX-V acceptance.

In the event that a NI 43-101 compliant resource estimate of 1,000,000 ounces of gold is delineated on the property, the Company will be obligated to provide to the vendor a bonus of \$1,000,000 (payable in cash or common shares at the election of the vendor). The vendor shall retain a 3% NSR interest while the Company retains the option to buy back 1.5% of the NSR for \$1,500,000.

On April 21, 2016, the Company issued 50,000 common shares (valued at \$3,500) and 50,000 share purchase warrants (valued at \$2,935) under a Memorandum of Understanding ("MOU") with certain First Nations bands in respect of the Company's West Keefer Property. Each warrant is exercisable into one additional common share of the Company at an exercise price of \$0.05 for a period of 5 years. The warrants will vest as follows:

- a) 25% on TSX-V acceptance (received May 17, 2016);
- b) 25% after six (6) months of the date of the MOU;
- c) 25% after twelve (12) months of the date of the MOU; and
- d) 25% after eighteen (18) months of the date of the MOU.

The Company has recorded the total fair value of \$6,435 as acquisition costs.

The MOU also specifies that the Company will pay an amount equal to 2.0% of all costs on direct exploration on the property to the First Nation bands. No amount has been accrued as payable as at May 31, 2018.

As at May 31, 2018, the Company did not renew the claims, as such, the property was written off.

**Chapleau Region Properties, Ontario**

*Rollo Property, Ontario*

On February 25, 2014 the Company entered into a purchase agreement to acquire a 100% interest in the Rollo Property in Ontario ("Rollo"). Under the terms of the agreement, the Company is committed to issue 1,000,000 shares to the vendors and have agreed to issue an additional \$1,000,000 worth of bonus shares, contingent on the Company's release of an NI 43-101 compliant measured and indicated resource of 2,000,000 ounces or more of gold within the claims of Rollo. In addition, the Company paid \$20,100 in cash as a repayment of staking costs.

During the year ended May 31, 2015, the Company received regulatory approval for the agreement and issued the 1,000,000 shares (valued at \$130,000) to the vendors. The vendors retain a 2% NSR, of which 1% may be repurchased for \$1,665,000.

As at May 31, 2018, the Company did not renew the claims, as such, the property was written off.

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**Risks and Uncertainties**

The following discussion outlines a number of risks that management believes could impact the Company's business.

**Financial Risk**

Additional funds may be required in the future to finance exploration and development work. The Company has access to funds through the issuance of additional equity and borrowing. There can be no assurance that such funding will be available to the Company under current economic conditions. Furthermore, even if such financing is successfully completed, there can be no assurance that it will be obtained on terms favourable to the Company or that it will provide the Company with sufficient funds to meet its objectives, which could adversely affect the Company's business and financial condition.

**Title to Properties**

Although the Company has taken reasonable measures to ensure proper title to its properties, there is no guarantee that titles to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company interests.

**Industry Conditions**

Mineral resource exploration and development involves a high degree of risk that even a combination of careful assessment, experience and know-how cannot eliminate. While the discovery of a deposit may prove extremely lucrative, few properties that undergo prospecting ever generate a producing mine. Substantial amounts may be required to establish ore reserves, develop metallurgical processes and build mining and processing facilities at a given site. There can be no assurance that the exploration and development programs planned by the Company will result in a profitable mining operation. The economic viability of a mineral deposit depends on a number of factors, some of which relate to the particular characteristics of the deposit, particularly its size, grade and proximity to infrastructure, as well as the cyclical nature of metal prices and government regulations, including those regarding prices, royalties, production limits, importation and exportation of minerals, and environmental protection. The impact of such factors cannot be precisely assessed but may prevent the Company from providing an adequate return on investment.

**Government Regulation**

The Company's activities must comply with the applicable legislation on exploration and development, environmental protection, obtaining of permits, and authorization of mining operations in general. The Company believes that it is in compliance in all material respects with such laws. Changing government regulations could have an adverse impact on the Company's operations.

**Memorandum of Understanding ("MOU") With First Nations**

On October 23, 2015, the Company issued 200,000 common shares (valued at \$6,000) and 200,000 share purchase warrants (valued at \$5,800) under an MOU with certain First Nations bands in respect of the Company's Chapleau Region Properties (Borden North, Borden South, Golden Route, Chapleau West and Rollo). Each warrant is exercisable into one additional common share of the Company at an exercise price of \$0.05 for a period of 5 years. The warrants will vest as follows:

- a) 25% on TSX-V acceptance (received October 23, 2015);
- b) 25% after nine (6) months of the date of the MOU;
- c) 25% after twelve (12) months of the date of the MOU; and
- d) 25% after eighteen (18) months of the date of the MOU.

The Company has allocated the total fair value of \$11,800 amongst the 5 Chapleau Region Properties and recorded the amounts as acquisition costs.

The MOU also specifies that the Company will pay an amount equal to 2.0% of all costs on direct exploration on the properties to the First Nation bands. No amount has been accrued as payable as at May 31, 2018.

**Events After The Reporting Period**

There were no reportable events.

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**Liquidity and Capital Resources:**

The Company has a history of operating losses and negative cash flows from operations. While management identifies projects of merit for acquisition, the Company will remain reliant on capital markets for future funding to meet its ongoing obligations.

Additional funding will be required for future exploration of the new acquisitions, and for general working capital.

**Off Balance-Sheet Arrangements:**

The Company has no off-balance sheet arrangements at the time of this Management Discussion and Analysis.

**Related Party Transactions:**

During the year ended May 31, 2018, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

<u>Related party</u>	<u>Nature of transactions</u>
Jonathan Armes, President & CEO	Consulting fees
James Fairbairn, former CFO	Consulting fees
Marco Guidi, CFO	Consulting fees

Included for the years ended May 31, 2018 and 2017 are the following items paid or accrued to key management personnel and/or companies with common directors. The Company has identified its directors and certain senior officers as its key management personnel. Exchange amounts are the amounts agreed upon by the transacting parties.

As at May 31, 2018, included in accounts payable and accrued liabilities is \$20,000 (May 31, 2017 - \$46,000) payable to directors and officers.

	<u>2018</u>		<u>2017</u>
Consulting	\$ 45,500	\$	57,000
Stock based compensation	60,000		48,600
<b>Totals</b>	<b>\$ 105,500</b>	<b>\$</b>	<b>105,600</b>

**Financial Instruments:**

As at May 31, 2018, the Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximate carrying value since they are short term in nature and are receivable or payable on demand.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

*Credit Risk*

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions.

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*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 11 of the audited financial statements for the years ended May 31, 2018 and 2017.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities:

		<b>&lt;1 year</b>	<b>1 – 3 Years</b>	<b>Total</b>
<u>Accounts payable and accrued liabilities</u>	\$	71,267	-	\$ 71,267

*Foreign Exchange Risk*

The Company currently does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

*Interest Rate Risk*

The Company is not exposed to significant interest rate risk.

*Commodity Price Risk*

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

*Fair Value Measurements*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash is determined based on "Level 1" inputs which consist of quoted prices in active markets for identical assets. As at May 31, 2018, the Company believes that the carrying values of accounts payable and accrued liabilities approximates its fair value because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company's Statements of Financial Position as of May 31, 2018 as follows:

		Level 1		Level 2		Level 3		Total
<u>Cash</u>	\$	60,093	\$	-	\$	-	\$	60,093

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**Critical Accounting Estimates and Judgments:**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

*Judgements*

*Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Estimates*

*Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8 of the audited financial statements for the years ended May 31, 2018 and 2017.

*Deferred taxes*

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

**Kapuskasing Gold Corp.**  
**Management Discussion & Analysis**  
**Year Ended May 31, 2018**

**Accounting Policies:**

The Company prepares its financial statements in conformity with IFRS. The Company lists its significant accounting policies in Note 3 of the audited financial statements for the year ended May 31, 2018.

*New standards not yet adopted*

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company does not expect a significant impact from the amendments on the Company’s financial statements.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity’s first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. The Company does not expect a significant impact from the amendments on the Company’s financial statements.

IFRS 16 - In 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), replacing IAS 17, Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) has been adopted. The Company does not expect a significant impact from the amendments on the Company’s financial statements.

**Legal Matters:**

None outstanding.

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**Disclosure Controls and Procedures:**

On May 31, 2018, the Company carried out an evaluation of the effectiveness of its disclosure controls and procedures as required by Canadian securities laws. Based on this evaluation, management has concluded that the Company's disclosure control and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

The Company has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company has a limited number of employees and therefore internal controls that rely on segregation of duties are not possible in some cases. In these instances, the Company relies on senior management review and approval to ensure that the controls are as effective as possible.

**Outstanding Share Data:**

As of September 21, 2018, the number of common shares of the Company outstanding, or reserved for issue under convertible securities, is as follows:

<b>Common Shares</b>	<b>Number</b>
Shares outstanding	59,377,650
Options outstanding	5,200,000
Warrants outstanding	13,673,332
<b>Fully diluted share capital</b>	<b>78,250,982</b>

**Current Directors and Officers:**

Jonathan Armes, CEO, President and Director  
Marco Guidi, CFO  
James Fairbairn, Director  
Garry Clark, Director